

Maximizing the Value of Customer Information Across Your Financial Services Enterprise

▶ White Paper



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CONTENTS

| | |
|--|----|
| Executive Summary | 3 |
| The Challenges Of Enterprise Integration In The Financial Services Sector | 4 |
| Traditional Approaches to Enterprise Integration | 4 |
| Vitria's Approach To Enterprise Integration | 6 |
| A Closer Look at VCA For CRM Integration - A Financial Services Solution | 7 |
| Enterprise Integration With VCA For CRM Integration: A Financial Services Scenario | 9 |
| Enterprise Integration Issues Resolved | 10 |

EXECUTIVE SUMMARY

The challenges facing companies in the financial services sector are changing dramatically. Increasing globalization, new competitive pressures, renewed emphasis on cost effectiveness, and continued trends toward industry consolidation each increase the difficulty of effectively managing business processes and their supporting IT infrastructures. At the same time, customers are increasingly careful about their purchase decisions and demand greater responsiveness as well as more value for their dollar.

In this changing business environment, effectively orchestrating customer-facing staff, business processes, and systems can be an important source of competitive advantage. For example, account executives calling prospects make more sales when they have a unified view of the latest information from all the different systems that store customer-related data. Customer service staff are far more responsive when they have real-time status information from order management systems, fulfillment systems, and billing systems combined into a single view. And automating manual processes between applications will significantly reduce operational costs and errors.

Unfortunately, most companies have not yet adequately addressed these challenges, despite making significant investments in new applications in recent years. Most companies are still struggling with how to fully leverage a collection of existing systems that don't share information with each other very well. And this problem will only get worse when business processes change and new systems are added later to meet evolving requirements.

Fortunately, Vitria has significant experience in solving this problem for companies in the financial services sector. Our customers include such companies as Assicurazioni Generali SpA, BankFirst Corporation, Cincinnati Financial, Conseco Finance, DaimlerChrysler Bank, Deutsche Bank, Dresdner Bank, Guardian Financial, The Hartford Financial Services Group, Inc, Jefferson Pilot Financial, Kemper Insurance, Manulife Financial, Mennonite Mutual Aid, and Union Investment.

The Vitria Collaborative Application for CRM Integration (VCA for CRM Integration) provides both short-term expediency and long-term flexibility. This solution, built on Vitria's BusinessWare integration server, incorporates best practices from real-world customer implementations into specific pre-configured solutions. So integration projects can be implemented much more easily, more quickly, and at substantially lower cost.

And best of all, the VCA for CRM Integration provides a more flexible and strategic foundation for future integration challenges.

THE CHALLENGES OF ENTERPRISE INTEGRATION IN THE FINANCIAL SERVICES SECTOR

The coming decade promises to be a dynamic time for the financial services community. Banks, brokerages, insurance carriers, and other financial institutions are challenged more than ever to focus on customer requirements to enhance competitive advantage, increase customer loyalty, and reduce overall operating costs. New business models have emerged that require the integration of financial services organizations' internal and external business processes. Mergers and acquisitions have left companies with significantly disconnected IT infrastructures spanning multiple legacy systems and multiple CRM systems.

In an environment where customers are deluged with new product offers in banking, investments, credit, and insurance, the critical point of differentiation is service. The institution that manages to put the right offer in front of the customer at the right time has a significantly higher chance of winning that business. Customer profiling and lifecycle management require highly integrated information networks that reach across departments, across applications, and around the world.

Financial services organizations need to connect segregated systems in order to converse across business silos, avoiding costly point-to-point programming. They need real-time access to non-real-time systems. They need to maintain synchronized data and states across a wide variety of systems. And they need to standardize processes and interfaces in order to integrate service delivery channels.

Financial services providers are looking to optimize straight-through processing rates, reduce transaction costs and settlement cycles, and build customer loyalty. Financial service companies are rapidly converging into "full service" providers with multiple divisions supporting various customer needs. Competition is forcing these firms to create product management systems for rapid new product introduction to respond to the demand for more personalized services from their customers. These challenges present real-world integration issues.

Without integrated customer information available in real-time, financial service providers simply do not have the tools necessary to offer proactive service. It's difficult to have a complete view of customers, orders, contracts, credit, and available services. Manual intervention is often required to handle incoming orders arriving through multiple channels. And exception management is time consuming and error-prone.

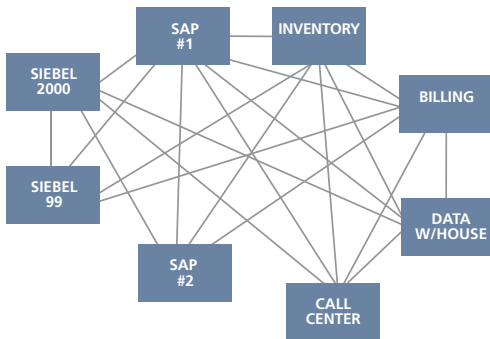
Financial services companies install CRM systems to help manage customer care. But these systems are often not integrated with each other and with other customer-related systems.

Integration of these disparate systems is an obvious solution, but until now business integration has typically involved a series of ad hoc, short-term fixes rather than a strategically planned framework usable for the long term. Ironically, the ad hoc approach perpetuates the very problems being addressed.

TRADITIONAL APPROACHES TO ENTERPRISE INTEGRATION

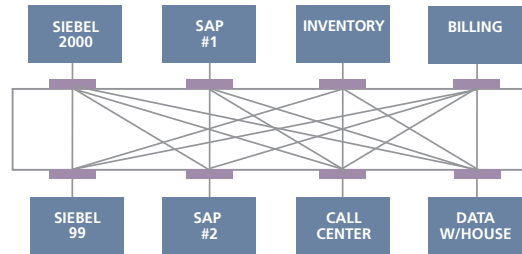
Although IT infrastructures have evolved dramatically in the past few years, only rarely have they been effectively optimized for best advantage. The typical landscape includes a number of different packaged, legacy, and custom applications accumulated over the years - often multiple instances of the same application with different revision levels, ad hoc customizations, overlapping data, and process logic.

This lack of planned integration has typically led to the familiar 'application spaghetti' picture illustrated below left along with its associated limitations:



'Application Spaghetti'

- x Pt-to-Pt Connectivity
- x Pt-to-Pt Transformation
- x Not Easily Scalable
- x Not Easily Extensible
- x Not Easily Changeable
- x Custom Process Mgt.



Traditional EAI

- ✓ Packaged Connectivity
- x Pt-to-Pt Transformation
- x Not Easily Scalable
- x Not Easily Extensible
- x Not Easily Changeable
- x Custom Process Mgt.

Traditional EAI is Only a Partial Solution

In an attempt to make progress, some financial services companies have implemented some kind of Enterprise Application Integration (EAI) initiative, whereby some systems are connected via dedicated 'connectors' into a common backbone instead of directly to each other. While this Traditional EAI approach reduces the number of separate connection points, in practice it quickly becomes apparent that the problem shifts from simple connectivity to a much more complex and costlier problem.

For example, how do you ensure that all the participating systems in a business transaction understand each other? How do you ensure that all these systems are 'in synch' with each other at all times, including when exception conditions happen? And how do you avoid re-integration whenever anything changes, such as when applications are upgraded or customized?

These are higher-level and potentially very costly issues that are not typically addressed by the Traditional EAI approach, necessitating custom code to compensate. Looking at each of these a little more closely:

'Language Spaghetti'

Each separate interaction between the different systems, documents, and people involved requires clear transformation into the specific format and meaning required by both sender and recipient. This potentially means another 'spaghetti diagram' of multiple, point-to-point links inside the EAI box (in this case transformation maps) that must be carefully set up and maintained whenever anything changes, or when applications are added or subtracted. The potential cost savings from streamlined connectivity can be negated as this 'transformation overhead' increases when more applications are connected.

Managing the 'Unhappy Path'

Most EAI installations are designed to handle the 'happy path' or perfect-world case where everything goes smoothly. In reality, the majority of time and effort involved with business processes is spent handling errors and exceptions, and reconciling status between out-of-synch systems. What if a large order transaction did not complete or a last-minute change was not correctly propagated to all systems in time? It is easy to imagine the disruption that can occur when different systems have a different view of the world at the same time, for example, when the process involves a large order or requires third-party involvement.

Planning for Change

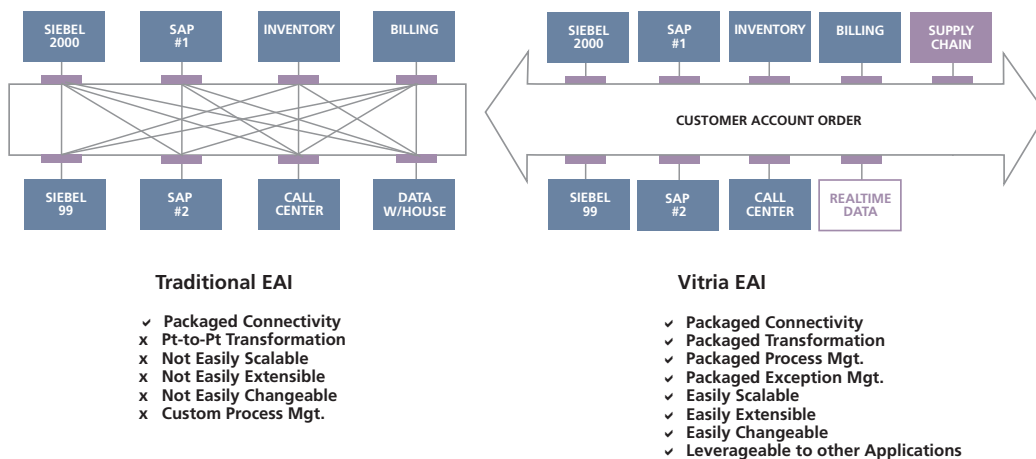
Even assuming that you can set up a traditional integration correctly with all the necessary systems, documents, partners, and processes, how likely is it that nothing will change in the foreseeable future? Every company inevitably makes adjustments and customizations to suit its needs, and these needs evolve over time. What if a new version of the CRM package is rolled out across the company? Potentially every installation of that CRM upgrade could disrupt operations while all the customizations are applied to each interaction and the transformation maps adjusted, adding further to the time and risk of the upgrade.

Expediency vs Doing it 'Right'

Although many companies are aware that a carefully designed platform-based approach to EAI is the right strategic direction, the pressure to deliver short-term results with existing resources tends to dictate the use of more tactical 'band aid' fixes and custom integration projects. Also, the time, cost, and skills required to develop and maintain a strategic EAI platform in-house from scratch would be prohibitive for most companies. Ironically of course, the continued tactical approach simply compounds the very problems they are attempting to solve, making the need for a strategic platform that much greater.

VITRIA'S APPROACH TO ENTERPRISE INTEGRATION

Vitria's approach to enterprise integration addresses the previous limitations of EAI by providing a combination of pre-configured content designed to rapidly solve a particular integration problem and a world-class integration platform (BusinessWare) designed for scalability and flexibility. This 'best of both worlds' combination allows companies to achieve a rapid result from their initial integration project while laying the foundation for an enterprise infrastructure for future integration challenges.



The Vitria Approach Overcomes the Limitations & Pre-packages Much of the Content

The design embodies many person-years of expertise from real-world financial services customer implementations as well as industry-leading best practices and standards body recommendations. At the same time, the Vitria approach is highly flexible to individual requirements, and unlike previous generation ('black box') EAI solutions, does not mandate or prescribe a fixed implementation.

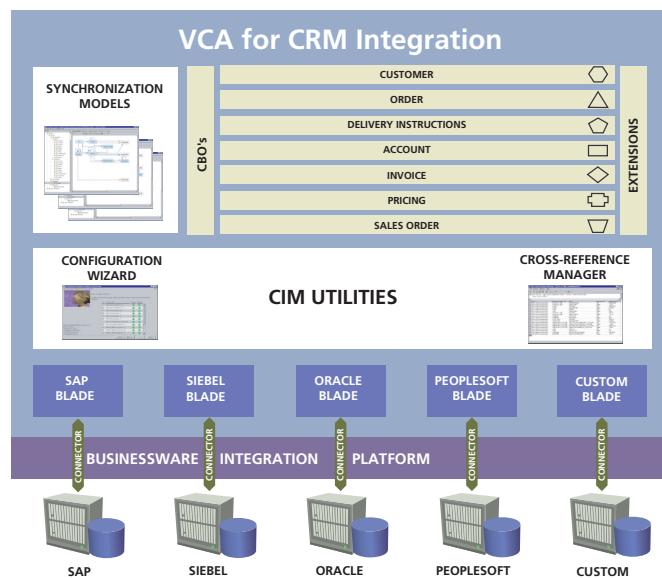
This flexible design and pre-configured content require considerable expertise in the application domain as well as in integration technologies, and would be prohibitive for most companies to replicate and maintain.

Objects (CBOs) that represent commonly used business abstractions such as "Customer", "Order", "Payment Method", etc., establish a standard, application-independent description of critical information to be synchronized. This dramatically simplifies the management of data transformation between application formats, which would otherwise potentially require a geometrically larger number of unique maps to be written and maintained (resulting in spaghetti).

One of the most valuable aspects of VCA for CRM Integration's design is its ability to preserve the customizations and extensions made to the connected applications, despite subsequent changes to either the process or the application itself. As upgrades happen, your customizations are preserved. This was a major limitation of previous integration approaches, which has been addressed using leading-edge techniques for accommodating user customizations to ensure minimal re-work when upgrading.

A CLOSER LOOK AT VCA FOR CRM INTEGRATION - A FINANCIAL SERVICES SOLUTION

The Vitria Collaborative Application for CRM Integration (VCA for CRM Integration) leverages current IT investments and ties enterprise applications into a single, unified business view by providing a standard architecture and common business process models. VCA for CRM Integration enables financial services companies to automate the distribution channels, integrate front- and back-office systems to enhance customer visibility, and reduce the cost of servicing customers.



VCA for CRM Integration Architecture

VCA for CRM Integration integrates data from multiple sources into a real-time, integrated view of customer orders, services, balances, and holdings across multiple touch points in the customer service process. Decision makers, armed with this integrated perspective, make better decisions faster, accelerating time-to-action in response to critical business events, customer demands, new opportunities, settlement problems, and competitive threats.

VCA for CRM Integration delivers real-time visibility, automation, and pro-active exception management of end-to-end, customer-facing and back-office processes.

Front-line CSRs, armed with this integrated perspective and customer view, can not only satisfy callers and prevent escalations, but up-sell after they've solved the problem. VCA for CRM Integration gives you the ability to make mid-course corrections to marketing campaigns based on early results from the segments you care about most. And you can do all of this by leveraging your existing CRM investment and legacy systems.

VCA for CRM Integration's common architecture is built on a solid foundation of Vitria BusinessWare, allowing multiple applications to simultaneously interoperate with services and object definitions that are extensible, customizable, and upgradeable.

VCA for CRM Integration leverages Vitria's BusinessWare with pre-configured content that is designed to meet 80% of your integration requirements out-of-the-box. This content may be customized or extended further to your exact requirements, with the assurance that those customizations will be preserved and leveraged across future integration projects. VCA for CRM Integration incorporates a number of innovative components that have been designed specifically to work together collaboratively to create a solution of lasting value.

Benefits of VCA for CRM Integration

The flexibility provided by VCA for CRM Integration provides measurable results from both a business perspective and an IT perspective:

Business Benefits

- Improved customer satisfaction and retention.
- Exceeding customer expectations for service levels.
- Real-time, global visibility of customer and order information.
- Real-time validation and compliance in pricing, credit, and orders.
- Ability to predict and react to customer life cycle trends.
- Increased revenues through targeted up-selling and cross-selling.
- Shorter order/change cycle times.
- Real time, in-line exception management.
- Rules-based prioritization of exceptions for resolution processing.
- Automated escalation procedures.
- Improved customer service at lower operating costs.
- Accelerated time-to-market for new products and services.
- Ability to make better decisions faster.
- Condense time between awareness and action.

IT Benefits

- Leverage current assets and applications.
- Establish seamless processes across the enterprise.
- Dramatic reduction in time, cost, and risk of achieving integration.
- Reduced costs of maintaining, customizing, or extending the integration infrastructure to include new applications or processes.
- Faster time-to-value in response to new or changing business initiatives.

- Flexibility when infrastructure changes.
- Significant reduction in custom coding.
- Segregated systems converse across business silos, avoiding costly point-to-point programming
- Synchronized states across systems.
- Synchronized data across systems.
- Real-time access to multiple non-real-time systems.
- Standard processes and integrated delivery channels - common processes and interfaces.

Application Blades

VCA for CRM Integration provides application blades, or application-specific transformation models, that translate between various applications' specific data formats and the common object format. Unlike previous approaches, the transformations included in the application blades are upgradeable, customizable, and extensible. Schema changes to either the common definitions or to application-specific definitions due to customization, vertical specialization, or upgrade will not invalidate the custom transformation maps packaged in the VCAs.

VCA for CRM Integration provides application blades for the most popular ERP and CRM systems such as Siebel, SAP, Oracle and PeopleSoft, mapped to the most commonly required CBOs such as "Customer", "Account", etc. Going forward, Vitria will provide additional pre-built blades and CBOs, plus custom blades can be created using the VCA Application Developer Kit (ADK) and specifications.

ENTERPRISE INTEGRATION WITH VCA FOR CRM INTEGRATION: A FINANCIAL SERVICES SCENARIO

A 360° View of Customer in a Changing Environment

Let's examine a real-world customer service situation that illustrates the typical challenges introduced by the lack of proper integration between systems.

One of Vitria's customers is a well-known leading provider of life, health, auto, home, long-term care, and small commercial insurance. Current market predictions suggest that in order to retain premium markets, insurers need to upgrade traditional distribution channels and implement systems that facilitate online sales and improved customer access to policy information. This company was formed from a series of parent company acquisitions and restructurings, setting it up to operate with multiple legacy systems and a wide and sometimes disconnected distribution channel.

The company wanted a single, 360-degree view of customers for customer call centers and to pave the way for providing customer self-service over the Web. It needed to integrate and automate mission-critical business processes in order to give customers a complete view of their auto, life, property, and other accounts. And because the company had this information, it had the ability to provide superior service and to identify cross-sell and up-sell opportunities right at the point of customer contact.

The company selected BusinessWare for its business process integration approach. Vitria's approach was important to this customer, because it provided a scalable and flexible integration platform for current and future integrations and it allowed them to synchronize their business systems without needing to redesign their 3-tiered application architecture.

This customer was able to implement their first application using BusinessWare within 90 days of reviewing the software, and was able to complete subsequent application integrations every 90 days thereafter.

By automating the exchange of customer data among multiple customer database systems and administrative applications, this company has improved its response time to customer orders and inquiries. CSRs, agents, and other customer service providers no longer have to search multiple systems for information and are able to enter customer data into one main system.

Using BusinessWare, this company has seamlessly integrated back-end dental, life, and disability claim applications with customer administration systems. They now have a single view of customer that they can extend to suppliers, business partners, and customers in real-time or near real-time. In practical terms, response times have dropped and customer service has improved.

ENTERPRISE INTEGRATION ISSUES RESOLVED

VCA for CRM Integration is a comprehensive, out-of-the-box solution that speeds and simplifies the integration of enterprise applications. It has been specifically designed to address the real-world limitations of previous approaches to EAI while allowing maximum flexibility, scalability, and extensibility.

From a business standpoint, VCA for CRM Integration empowers your company to seize new business opportunities more vigorously than before, speeds time to value from months to weeks, and can reduce your cost of setup and maintenance by up to 80%. By providing real-time visibility into the business at all times, your staff can enjoy a single view of the customer, their accounts, balances, holdings, or other key criteria across multiple systems, transferring the company's ability to compete and succeed. Improved customer service, greater leverage of existing assets, and lower operating costs are some of the strategic goals that VCA for CRM Integration can help you achieve.

From an IT standpoint, VCA for CRM Integration provides significantly reduced cycle times and IT resources for implementing new projects, lower support and maintenance costs compared to custom integration code, pro-active exception handling, and the ability to upgrade or change the connected applications without disrupting the existing integration work.

Many companies aspire to tackle integration strategically but end up deploying tactically due to the limitations of existing approaches. The VCA approach can elevate integration of customer-related information to a much more strategic level while still providing significant short-term value. By capturing the detailed interaction between your enterprise applications at both the process level and data level, you can effectively capture a blueprint for how your company does business.

This is a much more strategic way to view integration, as an asset that can be re-purposed or optimized for any future initiative or direction. The ability to customize and extend any part of your blueprint at will gives you enormous power over your destiny and ability to react to business conditions with minimal time, cost, and effort - surely a new level of business necessity for the 21st century.



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